



Statutory PAYGO and Health Care Reform

March 20, 2010

On March 19, House Budget Committee Ranking Member Paul Ryan (R-WI) [wrote](#) to the Office of Management and Budget [OMB] to request their cost estimate of the two health care bills to be voted on Sunday by the House. [Under the newly enacted statutory Pay-As-You-Go \(PAYGO\) law](#), if mandatory spending or tax legislation enacted this year causes a net deficit increase over a five or ten year period, it will trigger an across the board spending cut (known as a sequester) for non-exempt programs, such as most farm programs and Medicare (up to 4 percent).

Should the House pass the combined legislation of both the Senate health care reform bill and the reconciliation bill, the Senate bill will become law while the reconciliation bill is unlikely to survive in its current form.¹ Without assurances that the reconciliation bill will be enacted, it is appropriate to look at the current Senate health care bill.

The Congressional Budget Office [CBO] score of the current Senate legislation shows a reduction in unified deficits of \$118 billion. However, because the statutory PAYGO language specifically exempts CLASS Act revenues from being included on the scorecard, they must be taken out for PAYGO scoring purposes [[Sec. 4\(d\)\(6\) of PAYGO law](#)]. PAYGO also only applies to on-budget programs and excludes any impact on programs that affect off-budget programs, such as Social Security revenue increases. If you take these two items out, the Senate passed health care bill increases the budget deficit by \$5 billion. According to statutory PAYGO, if a law results in a deficit increase over the 10-year window, as is the case in this legislation, then a sequestration must occur. The following table outlines the CBO's deficit impact of the current Senate legislation as it relates to the PAYGO scorecard:

Deficit Impact of Senate-Passed Health Care Bill (H.R. 3590)		
Increase (+)	Five Year Impact: 2010-2014	Ten Year Impact: 2010-2019
Total Decrease (-)	-104	-118
CLASS	-24	-70
Off-Budget	-6	-53
Net	-74	5

Source: CBO: [H.R. 3590, Patient Protection and Affordable Care Act](#)

¹ In a March 18th Roll Call story, Senator Kent Conrad is quoted stating that "Do I expect there will be some additional Byrd rule challenges that will be upheld? Yeah. I do." <http://www.rollcall.com/news/44356-1.html>

More alarming, however, is that nowhere in the legislation is the CBO cost estimate referenced as the governing estimate for this legislation. Because CBO is not referred to [[Section \(4\)\(d\)\(3\) of the PAYGO law](#)], OMB must provide its own estimates for the cost of the bill. Congress does not have this information. The last piece of major health care legislation passed by Congress was the Medicare Modernization Act of 2003 [MMA]. For this legislation, OMB estimated that MMA's cost would be 35% higher than CBO's estimate. The fact that the estimates turned out to be off *does not matter for PAYGO purposes*.² Without an OMB estimate, Congress has no idea the size or magnitude of the sequestration that would be necessary, or the size of the tax increases or spending cuts necessary to prevent a sequestration.

House leadership seems determined to force a vote on a sweeping takeover of the health care sector. Congress and the American people deserve to know the automatic spending cuts or subsequent tax hikes required under the Majority's new PAYGO law.

This document was prepared by the Republican staff of the Committee on the Budget, U.S. House of Representatives. It has not been approved by the full committee and may not reflect the views of individual committee members.

² The different estimates of budget impact upon the enactment of the Medicare Modernization Act can be found in table S-13 of the [President's FY 2005 budget](#).